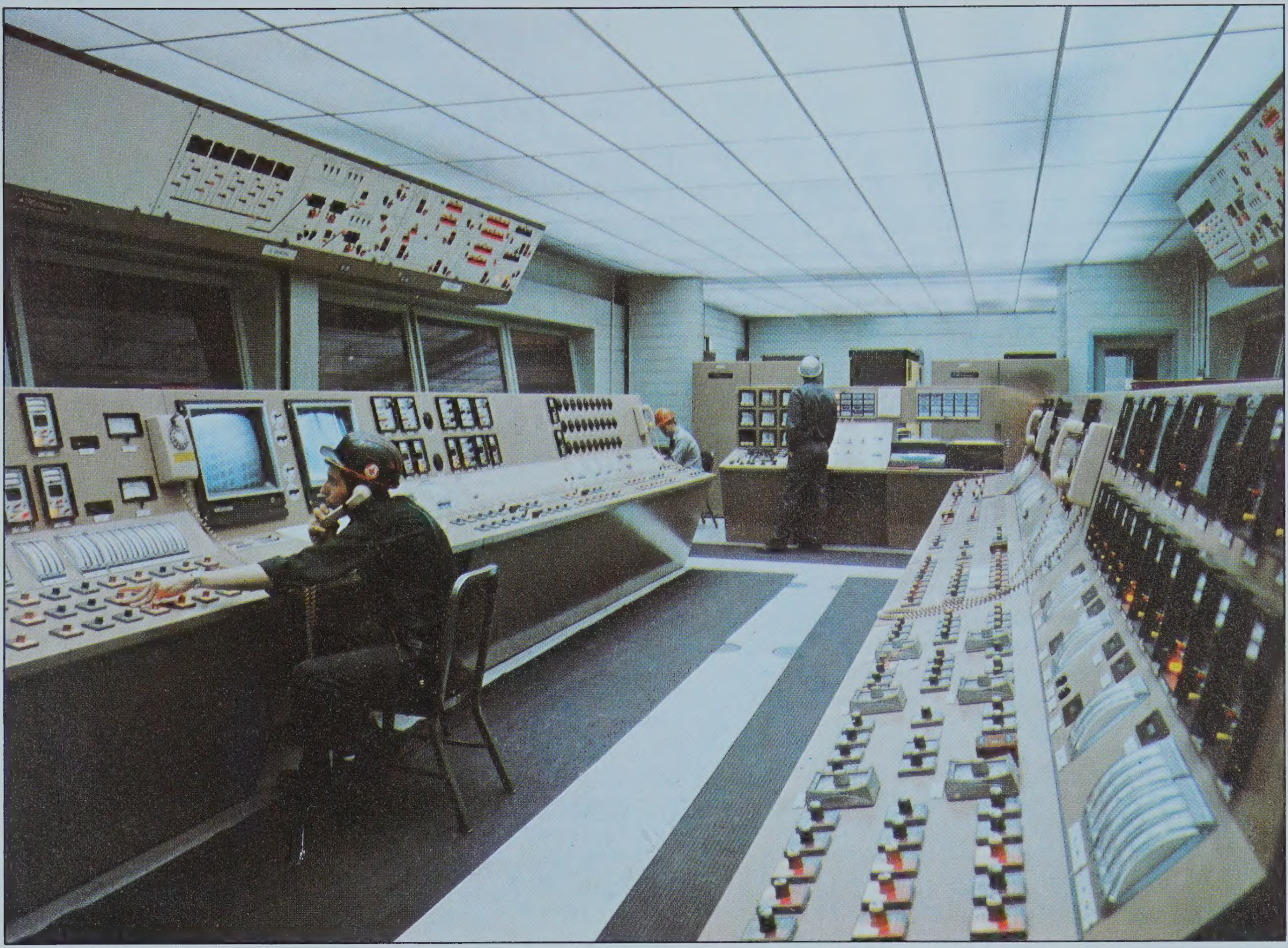
ANNUAL REPORT 1968

FALCONBRIDGE
NICKEL MINES LIMITED



Control Room, Strathcona Mill — Sudbury Operations

ANNUAL MEETING OF SHAREHOLDERS

Wednesday, April 9, 1969 — 10.00 a.m. (Toronto Time)
Ontario Room, Royal York Hotel — Toronto, Ontario

HIGHLIGHTS

	1968	1967
Nickel deliveries — pounds	70,712,000	74,754,000
Metal sales and other operating revenues	$105,206,000	$ 94,442,000
Income from investments	$ 10,694,000	$ 16,842,000
Earnings for the year	$ 23,953,000	$ 25,792,000
Shares outstanding	4,905,017	4,904,064
Earnings per share	$4.88	$5.26
Dividends per share	$3.50	$3.50
Working capital	$ 2,263,000	$ 1,357,000
Market value of investments	$209,470,000	$196,302,000

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FALCONBRIDGE NICKEL MINES LIMITED

7 KING STREET EAST, TORONTO 1, ONTARIO, CANADA

†DIRECTOR EMERITUS

THAYER LINDSLEY	President, Northfield Mines Inc.

†BOARD OF DIRECTORS

F. H. BRANDI	Chairman, Dillon, Read & Co. Inc.
REGINALD CAMPBELL	Senior Vice-President
C. F. H. CARSON, Q.C.	Partner, law firm of Tilley, Carson, Findlay & Wedd
*M. A. COOPER	President, McIntyre Porcupine Mines Limited
O. D. COWAN	Chairman of the Board and President, Ontario Steel Products Company Limited
W. G. DAHL	Vice-President Marketing
*H. J. FRASER	President and Managing Director
E. L. HEALY	Executive Vice-President Operations
*W. F. JAMES	Partner in James, Buffam and Cooper, Consulting Geologists
F. P. JONES, JR.	Executive Vice-President, The Superior Oil Company
*H. B. KECK	President, The Superior Oil Company
*R. B. WEST	Chairman of the Board, The Boiler Inspection and Insurance Company of Canada

*Member of the Executive Committee

†OFFICERS AND CORPORATE MANAGEMENT

H. J. FRASER	President and Managing Director
REGINALD CAMPBELL	Senior Vice-President
E. L. HEALY	Executive Vice-President Operations
F. R. ARCHIBALD	Vice-President Metallurgy and Research
W. G. DAHL	Vice-President Marketing
D. R. DELAPORTE	Vice-President Western Minerals Division
D. R. LOCHHEAD	Vice-President Nickel Division
J. J. MATHER	Vice-President Industrial Minerals Division
G. P. MITCHELL	Vice-President Exploration and Development
R. H. MOORE	Vice-President Technical Services
J. R. SMITH	Vice-President Eastern Minerals Division
G. T. N. WOODROOFFE	Vice-President Corporate Affairs
H. L. HICKEY	Director Public Relations
D. S. KERBY	Director Exploration and Development
G. P. MITCHELL	Director Foreign Operations (Minerals)
G. T. N. WOODROOFFE	Secretary
J. T. McWHIRTER	Treasurer
KENNETH DUNN	Controller
J. L. MATTHEWS	Assistant Secretary

†As at December 31, 1968

HORACE JOHN FRASER — 1905 - 1969

The death of Dr. Horace J. Fraser on February 2, 1969, at 63 years of age, brought to an untimely end a career of exceptional achievement. His energetic dedication to Falconbridge Nickel Mines Limited, which he joined in 1945, contributed immeasurably to the Company's present status within the international mining community. Dr. Fraser became President and General Manager in 1957, and President and Managing Director in 1962.

A man of strong character and strong convictions, he was endowed with an inquiring mind and a prodigious capacity for work. Although renowned in many fields — as a University professor, a scientist, a Government administrator, and for the past 24 years as a mining executive — he was essentially a retiring person of simple tastes.

Horace John Fraser was born on a farm in Girvin, Saskatchewan, in 1905, and raised in a family deeply rooted in the Scottish tradition. He had an outstanding scholastic record at the University of Manitoba, from which he earned his B.Sc. degree in Chemistry in 1925, winning the Gold Medal in Science. Two years later he obtained his Master's degree in Chemistry and Geology, then entered Harvard University. He obtained his M.A. degree in 1928 and his Ph.D. in Economic Geology in 1930. During his pursuit of higher education, Dr. Fraser was also a Travelling Fellow in Science and did research work in Canada, at the Universities of Manitoba and Saskatchewan and with the National Research Council.

Attracted naturally to the academic and scientific fields, he became an instructor in Geology and later a Research Associate at Harvard. Subsequently, he joined the mining industry as a geologist for three years with The International Nickel Company of Canada, Limited. But once again the lure of the teaching field proved irresistible, and in 1935 Dr. Fraser moved to the west coast as Assistant and later as Associate Professor at the California Institute of Technology. He remained there for seven years as a faculty member and as a consulting mining geologist for a number of private companies.

As the pressures of World War II mounted, Dr. Fraser was called to Washington, D.C., in 1942 and appointed Assistant Divisional Chief in charge of Ferro Alloys, Foreign Economics Administration. After three years in the United States Government service, Dr. Fraser looked north to his homeland and in 1945 became Manager, Falconbridge Nickel Mines Limited — a major turning point in an already active and diversified career. In the years following, the Company experienced rapid growth in new mine development and nickel production. In 1958, a year after he became President and General Manager of Falconbridge, Dr. Fraser was also elected as President and Managing Director of Ventures Limited. He played a leading role in the complex negotiations that led to the merger of the two companies in January, 1962. In the intervening years, he directed the integration of the Falconbridge and Ventures resources into what is now "the Falconbridge group" of companies. The strong organization he built, with extensive international operations and the name Falconbridge well established in world markets, is a tribute to Dr. Fraser's leadership.

A striking characteristic of the man referred to in the press as a "mining statesman" was his deep sense of commitment to any cause or organization in which he was interested. Dr. Fraser's sense of responsibility to the mining industry was legendary, and he was honoured by being elected President, at various periods in his career, of the Ontario Mining Association, The Mining Association of Canada and the Canadian Institute of Mining and Metallurgy. He was a fellow of the Royal Society of Canada, and a member of numerous geological and allied societies in Canada and abroad. His advice was widely sought and his name appeared as the author of technical papers in various scientific journals. It was only fitting, too, that many other academic and professional honours were conferred upon this erudite man to whom dedication was an important fact of life.

Dr. Fraser's continuing interest in education and in the public image of the Canadian mining industry expressed itself in many ways, in committees and on the platform. He pointed out to students the excellent career opportunities that mining offered to talented young Canadians and stressed the growing role of science in industry technology. He was one of the guiding lights in the establishment of the new Laurentian University of Sudbury, to which he devoted countless hours of his own time. As Chairman of its Board of Governors since 1965, he engendered a strong feeling of confidence that the high aims of this federated, bilingual institution would be realized.

Few men leave such a lasting imprint on the society in which they found personal fulfilment. It would be Dr. Fraser's wish to be remembered not for his deeds but for his devotion to his family, his Company and those things that most readily expressed his desire to serve others.

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

GENERAL REVIEW

Your Company achieved record smelter production of nickel and copper, its two major products, in the year that marked its fortieth anniversary. Production of copper at the refinery in 1968 also reached a new level. Ore reserves at year-end were the largest in Falconbridge history.

For the third successive year, nickel remained in a very tight supply situation in world markets. Even though the build-up of new mining and production capacity throughout the industry in 1968 was substantial, expectations are that this increase will be readily absorbed by waiting markets. The Company's new Strathcona development began operation during the past year and is moving towards full production by mid-1969. The adjacent but smaller Longvack South mine also started to produce in 1968 and is now in full operation.

Other important highlights of the past year were the ground-breaking for a new iron ore concentrator at Falconbridge, scheduled to come on stream by late 1969, and significant progress with respect to the Dominican Republic ferronickel project in arranging financing, advancing engineering design and organizing for construction of this large mining and metallurgical complex.

Falconbridge net earnings in 1968 of $23,953,000 or $4.88 per share represented a decrease of 7 per cent from the $25,792,000 or $5.26 per share of 1967. Dividends paid to shareholders again totalled $3.50 per share.

The chief features of 1968 earnings were a record profit from nickel operations before write-offs; an increase in the provisions for development and preproduction expenditures and for depreciation, occasioned by commencement of production from the Strathcona and Longvack South mines; a recording of earnings for the first time from wholly-owned Wesfrob Mines Limited; and a sharp decline, for the second consecutive year, in dividends received from some of the associated companies, primarily Lake Dufault Mines Limited.

Operating profit from nickel operations — after writing off development and preproduction, and after depreciation — at $23,489,000, was less than the previous year's record by $518,000 or 2 per cent. Total deliveries of nickel were lower in 1968 than in the previous year by 4,042,000 pounds; however, all deliveries in the past year were from Company production, whereas in 1967 some 4,770,000 pounds of nickel from the United States Government stockpile were delivered by Falconbridge on a no-profit basis.

The prices realized on copper deliveries averaged about (Canadian) 4 cents per pound higher than in 1967. Cobalt deliveries were higher, and sales of precious metals rose substantially during 1968.

The sharp decrease in dividend income from subsidiary and associated companies was the principal factor in lower Falconbridge earnings in 1968. Such income totalled $10,306,000, a decline of 37 per cent from that of the previous year.

Dividends received by Falconbridge in 1968 from its partially-owned subsidiaries exceeded its interest in the profits of those companies by $1,200,000. Working capital, which was $1,357,000 at year-end 1967, increased to $2,263,000 by the end of 1968 (exclusive of the market value of investments, $209,470,000).

MARKETS

FALCONBRIDGE METAL DELIVERIES

	Pounds 1968	Pounds 1967
Nickel	70,712,000	74,754,000
Copper	39,787,000	32,401,000

During 1968, nickel was again in a short supply position despite the industry's accelerated steps to increase production. The year 1968 opened with a very low inventory of finished nickel which remained low throughout the year, with deliveries closely paralleling production. At both the smelter and the refinery, production was significantly higher than in the previous year, reflecting output from the Strathcona and Longvack South mines. Part of the increase in the smelter production, however, was absorbed in the larger in-process inventories required for the higher rate of production.

Deliveries of Company - produced nickel were slightly higher in 1968 than in 1967. Total deliveries, however, were less than in 1967 when shipments included Government stockpile nickel sold on a no-profit basis. The reduction in total deliveries in

1968, therefore, did not represent lower earnings to the Company.

World copper markets were decisively influenced by the shortage resulting from a strike which idled virtually all producers in the United States for more than eight months. Although the strike was settled in March 1968, its after-effects continued to be an important factor in the marketplace beyond the end of the year. In 1968, copper deliveries were the highest in Company history.

Although an industry-wide slackening developed in the demand for cobalt, Falconbridge's deliveries of this metal increased materially.

Demand for precious metals remained firm.

METAL PRICES

The increase of 8.75 cents U.S. per pound in the price of nickel which occurred in September 1967 was effective throughout 1968. In the closing days of 1968, nickel producers again raised their prices to compensate for higher production and development costs. As from December 30, 1968, the base price of Falconbridge electrolytic nickel to consumers in the United States was increased from 94.0 cents U.S. per pound to $1.03 U.S. per pound, while corresponding price adjustments were made in all other markets.

From September 1966 until May 1968, Falconbridge copper sale prices were related to the three-month forward price on the London Metal Exchange (L.M.E.). Since June 1, 1968, Falconbridge (along with the major copper producers) adopted a new pricing policy based on the L.M.E. "spot" or cash price.

Early in 1968, when no hope of settlement had appeared in the strike against the United States producers, L.M.E. copper prices rose sharply only to turn promptly downward as soon as the strike came to an end. Thus the average three-month forward L.M.E. copper price climbed to an equivalent of 74.3 cents U.S. per pound in February, and touched its lowest level at 44.3 cents U.S. per pound in May. Meanwhile, L.M.E. spot cash prices moved between a peak equivalent to 87.5 cents U.S. in March and a 1968 low of 46.3 cents U.S. per pound in August. In the latter part of the year comparatively moderate price fluctuations prevailed with average monthly spot cash prices between 47.6 and 53.3 cents U.S. per pound. Prices realized by the Company on copper deliveries also averaged about 4 cents (Canadian) higher than in 1967.

Prices for precious metals moved erratically in response to European monetary crises during the year and averaged much higher than in 1967.

The price of cobalt remained unchanged throughout the year.

FINANCIAL REVIEW

SUMMARY DATA	1968	1967	1966
Earnings	$ 23,953,000	$ 25,792,000	$ 27,725,000
— per share	$4.88	$5.26	$5.66
Operating profit from nickel operations before providing for development and preproduction expenditures and depreciation	$ 36,740,000	$ 30,264,000	$ 26,930,000
Dividends received from partially-owned subsidiary and other companies	$ 10,306,000	$ 16,404,000	$ 21,699,000
Dividends paid to shareholders	$ 17,166,000	$ 17,148,000	$ 17,129,000
— per share	$3.50	$3.50	$3.50
Expenditures on exploration, research and process development	$ 6,866,000	$ 8,333,000	$ 12,521,000
Expenditures (net) on property and plant and on mines to be brought into production in future years	$ 38,188,000	$ 46,566,000	$ 50,381,000
Working capital (at December 31)	$ 2,263,000	$ 1,357,000	$ 32,773,000
— per share	$0.46	$0.28	$6.70
Indicated market value (not included in working capital) of shares in unconsolidated subsidiary and other companies (at December 31)	$209,470,000	$196,302,000	$170,610,000
— per share	$42.70	$40.03	$34.86

EARNINGS

Operating profit from the nickel operations before write-offs at $36,740,000 exceeded the record of the previous year by $6,476,000 or 21 per cent. The beneficial effects of higher metal prices and increased copper deliveries were commented on earlier in this review. These effects were partially offset by higher production costs.

The total write-offs amounted to $13,251,000 as compared with $6,257,000 in 1967. On the plants and equipment of the Strathcona mine, no write-offs of development and preproduction expenditures had been made and no depreciation had been provided up to the end of 1967. Because partial production from this mine was achieved in 1968, allowances were made for these items for proportional amounts of a full year's provision.

There was a further drop in dividend income in 1968, to $10,306,000 from $16,404,000 in 1967. The reduction of $5,807,000 in the dividends from Lake Dufault accounted for the largest part of this decrease. The dividends received from La Luz were $987,000 lower than the previous year. Increased dividends were paid by Indusmin Limited and Kilembe Copper Cobalt Ltd.

WORKING CAPITAL

The years 1966 and 1967 were marked by heavy reductions in the Company's working capital of $22,643,000 and $31,416,000 respectively. In contrast, there was a relatively moderate increase in working capital in 1968 of $906,000. The reductions of the two previous years were primarily the result of the heavy expenditures on the Strathcona and Tasu projects. In 1968 the inflow of funds was substantially increased from operations ($8,101,000) and from net realizations from investment in unconsolidated subsidiaries and other companies ($14,327,000). While expenditures on mines and plant were still high at $38,188,000, they were $8,378,000 less than in 1967 at $46,566,000.

Although net working capital improved, greater cash requirements for receivables and inventories resulted in an increase in the bank indebtedness by $5,375,000.

WHOLLY-OWNED SUBSIDIARY COMPANIES

A highlight review of the operating and financial results of two major wholly-owned subsidiary companies, Fahralloy Canada Limited and Wesfrob Mines Limited, appears on pages 20 and 21 of this report.

INVESTMENT IN UNCONSOLIDATED SUBSIDIARY AND OTHER COMPANIES

The most significant change in the Company's investment in unconsolidated subsidiary and other companies resulted from the sale of its 40.5 per cent interest in Ventron Corporation for $11,262,000. Sale of some shares of Giant Yellowknife Mines Limited and La Luz Mines Limited provided a further $3,795,000. The Canada Tungsten Mining Corporation demand note and the Zeballos Iron Mines Limited 5 per cent income debenture were fully redeemed in the year, yielding an additional $450,700.

During the year, the Company subscribed to its pro rata portion of a share offering made by Falconbridge Dominicana C. por A., and purchased an additional 3,674 shares. This resulted in an increase of 462,613 shares in the Company's share position and gave Falconbridge 85.4 per cent interest in its Dominican subsidiary; however, this will reduce to 81.5 per cent when the Dominican Government exercises its right to purchase its pro rata share of the offering.

A further 1,174,916, six per cent Redeemable Preferred shares of Raglan Quebec Mines Limited were acquired during the year under agreement as consideration for work carried out by Falconbridge on the Raglan company's properties.

After net realizations from investments as noted above of $14,327,000, the indicated market value of the Company's investments, plus the book value of advances and debentures of subsidiary and other companies, increased during the year by $12,728,000 to $212,968,000.

LOCKERBY — Mining plant construction is now under way at the company's Lockerby property, at the west end of the Sudbury Basin. Photograph on facing page was taken in February 1969.

OPERATIONS REVIEW — NICKEL DIVISION

MINES

	1968	1967
Ores delivered to Treatment Plants from Company mines (short tons)	3,208,000	2,210,000

The 45 per cent increase in production of ores from Company mines reflects the contribution from both Strathcona and Longvack South. The latter mine is a relatively uncomplicated operation and reached full production in October, just 19 months after shaft sinking started and five months after the first drift intersected the ore zone. Strathcona Mine, on the other hand, is a deep, large and complex ore deposit and has been under development for several years. The first stope ore was produced early in 1968.

The rate of progression towards full production at Strathcona was slowed considerably in mid-year by the lack of sufficient miners and extremely high labour turnover. By year-end, employee recruitment and reduced labour turnover resulted in a marked improvement in the rate of advance towards full production.

The remainder of the Company's mines maintained their production targets throughout the year despite the labour shortage and turnover.

At the Lockerby property, mining plant construction is under way. At year-end the steel headframe, hoist house, change house and other surface facilities were essentially completed. Installation of the 12-foot hoist was under way and shaft sinking is expected to commence early in March, 1969.

The Onaping Mine shaft deepening from the 3050 level progressed satisfactorily and at year-end the shaft bottom was a few feet below the 4025-foot level, with 340 feet remaining to reach its planned depth.

TREATMENT PLANTS

The Strathcona mill was completed early in 1968 and the first of its two circuits was activated in February with ore from Strathcona mine. The second circuit was brought on stream in August. Ore from both Strathcona and Longvack South mines is fed to this mill which, late in the year, had been tested at a rate of up to 7,000 tons per day. At Falconbridge, the expanded facilities for treating the increased volume of concentrates were successfully placed in service. These comprised mainly the slurry receiving station, the drying and filtering plant, the extended No. 5 blast furnace, and one additional converter.

MATTE SHIPPING

The new system for shipping matte to the refinery in bulk rather than in drums was successfully introduced in October. Matte screening and rail loading facilities were constructed at the smelter; rail-ship transfer facilities were built on leased property at Quebec City; and unloading facilities were constructed at the refinery in Norway.

The new cargo ship, M/V Falcon, completed her sea trials successfully and arrived at Quebec City on her maiden voyage on October 14 to pick up her first load of matte. By year-end the vessel had completed three round-trips, carrying matte to the refinery and returning with finished refined nickel for marketing in North America. Significant savings are anticipated as a result of adopting this method of matte shipment to the Norwegian refinery.

REFINERY

Operations at the Kristiansand refinery continued without major change. Plant facilities were modified

to permit the receiving and handling of matte in bulk from the new cargo ship. Revisions to the cobalt refining section were completed. A commercial scale pilot plant, utilizing the new nickel refining process which has been under development by the Company for a number of years, was successfully placed in operation; however, it will be some time before the economics of this process can be properly assessed.

IRON ORE CONCENTRATOR

Construction of the iron ore concentrator commenced early in the year and is progressing satisfactorily. It is expected that this plant will be ready for initial operation late in 1969, producing a new iron-nickel pellet for international markets.

EXPENDITURES ON MINES AND PLANTS

	1968	1967	1966
Property, plant and equipment	$29,819,000	$33,351,000	$21,641,000
Preproduction .	8,042,000	8,798,000	4,313,000
Total:	$37,861,000	$42,149,000	$25,954,000

More than half of the capital expenditures during the year was for the new iron ore concentrator. The remainder was required to complete the expansion of facilities referred to under Mines and Treatment Plants.

EMPLOYEES

Labour turnover in Sudbury increased to a record high at mid-year, then settled down to a more reasonable level by year-end. This turnover, along with a shortage of experienced miners, came at a time when the Company was endeavouring to expand its work force to man the new mines and plants. As a consequence, delays were encountered in meeting the scheduled production increase. In order to expedite the recruiting of skilled and experienced employees, the Company continued its program of home construction in the district. A total of 68 houses were completed and an additional 35 were under construction at year-end. These new houses and those built previously are being offered to employees on a rental-purchase basis.

Relations between the Company and its employees continued throughout 1968 on a very satisfactory basis of cooperation and goodwill. The total work force at Sudbury Operations increased during the year from 3,639 to 3,999 employees.

The number of persons employed at the refinery increased by 87 to a total of 1,338 at year-end.

ORE RESERVES — SUDBURY AREA

	Ore Reserves (Tons)	
Ore	1968	1967
Proven	56,284,800	55,707,600
Probable	35,353,800	19,365,200
	91,638,600	75,072,800
Combined nickel-copper content		
Proven	1,127,247	1,158,000
Probable	682,521	322,389
	1,809,768	1,480,389

Assessment of the Company's ore reserves within the Sudbury District resulted in a substantial increase over those at the end of the previous year, to a total of 91,638,000 tons, the highest ore reserves in the Company's history. In the determination of the reserves, it should be pointed out that certain promising areas still being investigated were not taken into account.

The addition of significant tonnages to proven reserves of lower grade ores from Longvack South mine and lesser amounts from other mines has resulted in an increased tonnage in this category. A slight drop in metal content is indicated.

In making the assessment of the Company's reserves, new tonnages were calculated from the results of a continuous underground exploration program of several years' duration in the Two-forty Area located between North Mine and Strathcona Mine. This new tonnage, coupled with significant tonnages outlined by diamond drilling at North Mine, is primarily responsible for a substantial increase in probable reserves. The effect of these additions, plus lesser amounts in other areas, increased the Company's probable reserves by 15,988,600 tons to 35,353,800 tons with a combined metal content of 682,521 tons.

EXPLORATION

Continuing systematic evaluation of the Company's large property holdings within the Sudbury District was carried on through geological mapping and diamond drilling. Intensive exploratory work was continued on properties owned or controlled by the Company in the Manitoba and New Quebec nickel belts. More detailed information on the latter property appears on page 30.

The Company continued its vigorous program of exploration of many other areas throughout Canada and abroad and several prospects were developed to obtain more detailed information. Additional surface drilling extended the small but high-grade copper zone at the Stall Lake property in Manitoba, in which Falconbridge has a 50 per cent interest.

RESEARCH AND DEVELOPMENT

A number of important milestones were passed in 1968, marking satisfactory completion of three major programs: the successful demonstration, in an

enlarged pilot plant, of a new process for treatment of lateritic nickel ore in the Dominican Republic; commercial scale operation of a pilot unit at the refinery employing a new process that had been under development for several years; and the piloting of the composite parts of a process for the treatment of large tonnages of nickeliferous pyrrhotite to produce iron-nickel pellets and high-strength SO_2 gas for sulphur recovery.

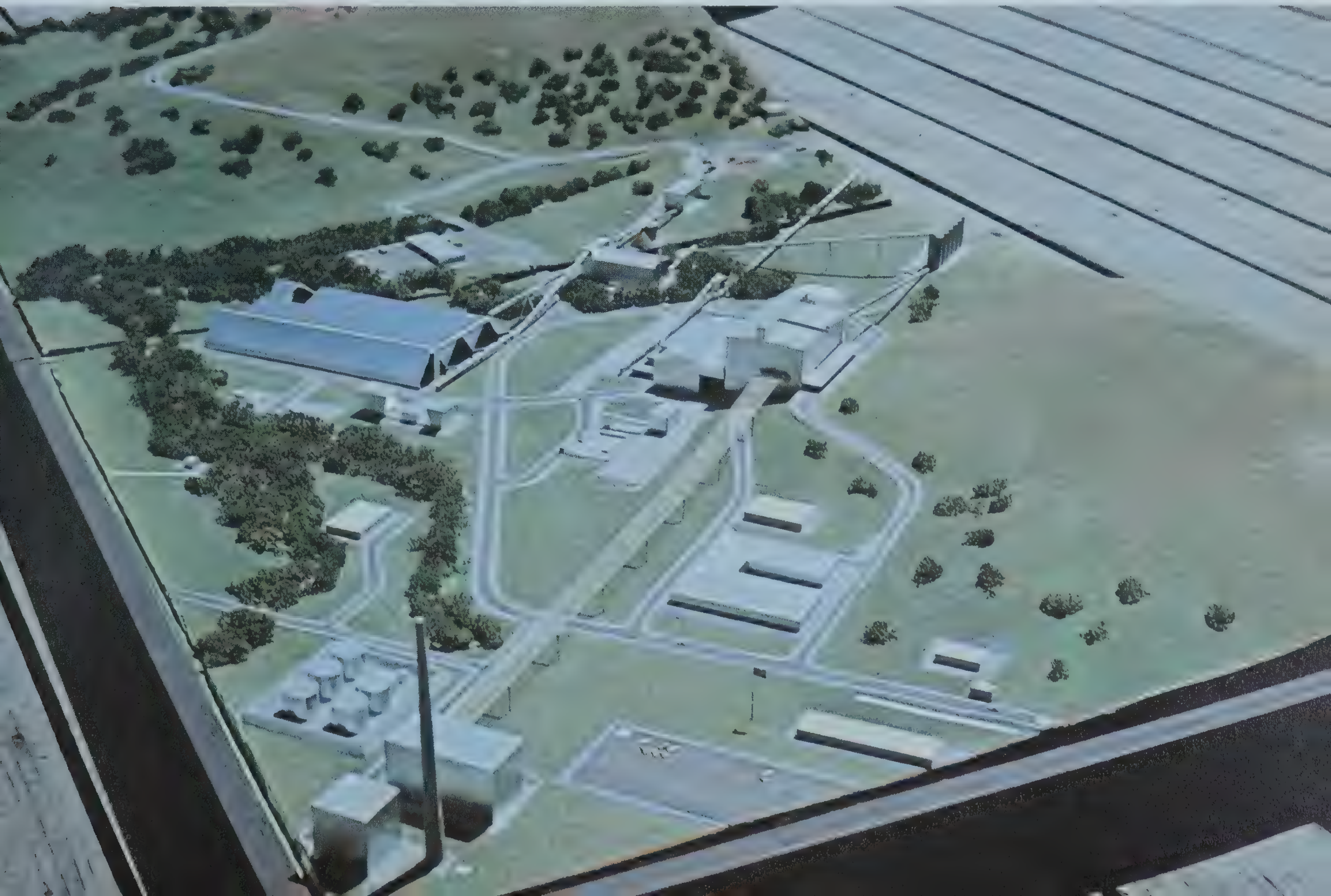
In relation to the last-mentioned development, research and development work continued towards improving the separation, in milling operations, of copper-nickel concentrates for smelting from a clean nickeliferous pyrrhotite concentrate. The latter material will provide the feed for the new iron ore concentrator. In the smelter, a program for improved metallurgy, improving working conditions and reducing SO_2 pollution will take up a major part of the research and development effort at Falconbridge in the months ahead.

SCALE MODEL of Dominican Republic project shows layout of major facilities. Stack for the thermal power plant (left foreground) will be 400 feet high; ore storage buildings at upper left, 600 feet long; and metallurgical process building at upper right, 180 feet high.

DOMINICAN REPUBLIC

Discussions and negotiations on technical and financial aspects of this enterprise moved ahead very satisfactorily during 1968. The viability of the proposed commercial project was confirmed by successful pilot plant work, ore reserve definition, engineering and feasibility studies — for an annual production rate of at least 60,000,000 pounds of nickel in ferronickel. The additional cost to bring this project into production is estimated to be in the order of U.S. $180,000,000. In August the operations of the pilot plant were terminated, with camp and other facilities being maintained as a base for geological activities and temporary servicing of work at the new plant site. Drilling activity was continued for further definition of orebodies, and drilling for structural foundations at the plant site was well advanced by year-end.

Engineering designs, equipment specifications and cost estimates were well defined by the end of the year. In December, tenders were invited covering the general construction contract for the metallurgical plant and service facilities and also for the main components of the power plant. Construction is expected to begin about May, 1969, with a target date for completion late 1971.



AFFILIATED COMPANIES

Comments concerning the activities of subsidiary and associated companies appear on pages 20 to 32.

ORGANIZATION

In March, 1968, Mr. L. J. McGowan resigned as a Director of the Company. The resulting vacancy was filled in April by the election to the Board of Mr. F. P. Jones, Jr., Executive Vice-President of The Superior Oil Company.

At the annual meeting on April 25th, shareholders approved an increase in the number of Directors from eleven to twelve, to enable the Board to deal more effectively with the Company's varied problems and programs. At that meeting Mr. F. H. Brandi, Chairman of Dillon, Read & Co. Inc., was elected as a Director.

A reorganization of the Company's senior management structure became effective February 1, 1968. It provided a regrouping of administrative and technical functions and the creation of new operating divisions affecting Falconbridge and its interest in various subsidiary and associated companies. The positions and appointments in the new structure are included in the "Officers and Corporate Management" listing on page 2 of this report.

In March, 1968, the Company lost a highly respected staff member in the sudden death of Dr. A. S. Dadson, Chief Geologist, who had 37 years' experience with the Ventures Limited and Falconbridge organizations. The position of Chief Geologist was subsequently filled by the appointment of Dr. L. C. Kilburn.

Mr. S. B. Steen, Chairman of the Board of Falconbridge Nikkelverk A/S since 1955, formally retired in June and was elected as Honorary Chairman of that company's Board of Directors. Mr. Ragnar Jahnsen, a Director, was elected Chairman of the Board and Managing Director and continues as Manager of the Refinery in Norway.

Mr. J. P. Millenbach, a well-known figure in the Canadian mining industry, retired on December 31, 1968, after 36 years in the Ventures and Falconbridge organizations. At the time of his retirement he was President of Opemiska Copper Mines (Quebec) Limited and other Quebec-based companies and held Directorships in several other companies in the Falconbridge group.

Mr. T. G. Beament, who has been associated with Fahralloy Canada Limited since its inception in 1933, retired on December 31, 1968, after serving as President and Managing Director for 25 years. He continues to serve as Chairman of the Board. Mr. J. A. Wilson, who joined Fahralloy in 1936 and has served as Executive Vice-President since 1962, succeeded Mr. Beament as President and Chief Executive Officer.

SHAREHOLDERS

During the year 953 shares were issued through the exercise of warrants, bringing the outstanding shares at year-end to 4,905,017. Warrants to purchase 110 shares at U.S. $19.23 per share and 6 shares at U.S. $20.00 per share were outstanding at year-end. In addition, in December 1968 the Board of Directors reserved 90,000 unissued shares for the purpose of granting options to senior officers and employees of the Company at not less than 95 per cent of the market value of the shares at the date of granting the options. During 1968, options were granted on 84,500 shares at $96.00 per share, being 95 per cent of the market price on the day preceding the granting of such options.

The number of shareholders declined during the year from 14,086 to 13,799, of whom 10,286 were shareholders of Canadian registry holding 4,113,694 or 84 per cent of the outstanding shares.

APPRECIATION

Your Directors wish to express their appreciation to management, staff and production employees for the results achieved during 1968. The varied and substantial programs under way during the year, at many locations in Canada and abroad, reflected the accelerated growth of the total organization. It was a year that saw major progress in very important areas of activity — in plant and product development; in research and exploration; and in the growing adaptation of modern science to our mining and processing technology. We acknowledge the understanding and support of our customers and sales representatives, whose patience in another year of stringent supplies of nickel has been so greatly appreciated. As our new Strathcona mine builds up to full capacity in 1969, we anticipate an easing of our supply situation.

The sincere thanks of the Board is also extended to our shareholders, contractors and suppliers, to Government, the news media and plant communities for their continuing interest in our operations.

On behalf of the Board of Directors,

MARSH A. COOPER,
President and
Managing Director.

Toronto,
March 3, 1969

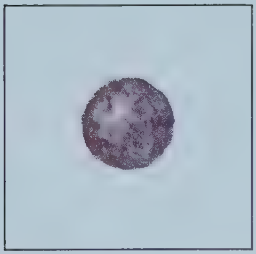
NEW PLANT . . . NEW PRODUCT

The $35,000,000 iron ore concentrator now being constructed by Falconbridge in the Sudbury Basin is scheduled for initial operation by late 1969. When in full production it will treat annually some 500,000 tons of nickel-bearing pyrrhotite (iron sulphide) and provide the Company with a new and unique product for world markets.

From the concentrator will come 300,000 tons per year of reduced iron ore pellets containing about 90 per cent iron and 1.5 per cent nickel. The pellets offer technical and economic advantages for alloy steel and stainless steel producers, and they can be charged directly into steel-making furnaces. The new product, which has been successfully tested in steel mills, is the culmination of a long-term program of research and development by Falconbridge staff.

An adjacent plant now being built by Allied Chemical Canada, Ltd., will recover sulphur in elemental form from the roaster gases produced in the concentrator.

This joint undertaking by the two companies also represents a major step forward in pollution control and abatement in the Sudbury area.



Falconbridge pellet, actual size.

Electromagnet handling Falconbridge iron-nickel pellets during commercial-scale tests in a steel plant.

Construction progress at the iron ore concentrator, February 1969.

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED BALAN

ASSETS

	1968	1967
CURRENT:		
Cash	**$ 2,795,000**	$ 1,189,000
Government and other marketable securities at cost (approximate market value)	**1,841,000**	1,500,000
Accounts receivable	**22,664,000**	18,814,000
Inventories at the lower of cost or market (note 3)	**17,713,000**	12,972,000
	45,013,000	34,475,000
INVESTMENT IN UNCONSOLIDATED SUBSIDIARY AND OTHER COMPANIES at cost less amounts written off:		
Subsidiary companies (note 1)		
Shares	**36,831,000**	32,554,000
Advances and debentures	**2,927,000**	3,259,000
	39,758,000	35,813,000
Other Companies		
Shares	**25,363,000**	27,360,000
Advances and debentures	**571,000**	679,000
	25,934,000	28,039,000
	65,692,000	63,852,000
FIXED:		
Plant and equipment at cost	**213,168,000**	183,674,000
Less accumulated depreciation	**97,056,000**	87,850,000
	116,112,000	95,824,000
Mining and other property at cost	**5,399,000**	5,052,000
	121,511,000	100,876,000
OTHER:		
Supplies (at average cost) and prepaid expenses	**8,728,000**	8,020,000
Deposits, long-term accounts receivable and other assets	**980,000**	936,000
Special refundable tax	**611,000**	975,000
Preproduction expenditures deferred (notes 4 & 8)	**41,920,000**	39,524,000
	52,239,000	49,455,000
	$284,455,000	$248,658,000

See notes to consoli

AUDITO

To the Shareholders of
Falconbridge Nickel Mines Limited:

We have examined the consolidated balance sheet of Falconbridge Nickel Mines Limited and its wholl owned subsidiaries as at December 31, 1968 and the statements of consolidated earnings, retained earnings ar source and application of funds for the year then ended. Our examination included a general review of the accour ing procedures and such tests of accounting records and other supporting evidence as we considered necessary the circumstances.

Toronto, Canada,
February 25, 1969.

HEET DECEMBER 31, 1968

LIABILITIES

	1968	1967
CURRENT:		
Bank indebtedness	**$ 27,125,000**	$ 21,750,000
Accounts payable and accrued charges	**14,751,000**	11,145,000
Income and other taxes payable (estimated)	**874,000**	223,000
	42,750,000	33,118,000
LONG TERM INDEBTEDNESS:		
Mortgages payable on company housing	**1,264,000**	384,000
DEFERRED INCOME AND MINING TAXES	**25,070,000**	18,795,000
SHAREHOLDERS' EQUITY:		
Capital (note 6)		
Authorized: 5,000,000 shares of no par value		
Issued: 4,905,017 shares (1967 — 4,904,064 shares)	**79,620,000**	79,600,000
Retained earnings	**125,251,000**	107,761,000
Reserve for investment in mining companies	**10,500,000**	9,000,000
	215,371,000	196,361,000
	$284,455,000	$248,658,000

On behalf of the Board:

M. A. COOPER, Director

W. F. JAMES, Director

ancial statements

EPORT

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants.

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARIES

STATEMENT OF CONSOLIDATED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1968

	1968	1967
Metal sales and other operating revenues	**$105,206,000**	$ 94,442,000
Cost of sales and operating expenses other than the undermentioned items	**62,519,000**	59,723,000
Selling, general and administrative expenses (note 7)	**5,947,000**	4,455,000
	68,466,000	64,178,000
Operating profit from nickel operations before providing for development and preproduction expenditures and depreciation	**36,740,000**	30,264,000
Development and preproduction expenditures written off (note 4)	**6,415,000**	2,077,000
Depreciation	**6,836,000**	4,180,000
	13,251,000	6,257,000
Operating profit from nickel operations	**23,489,000**	24,007,000
Other income:		
Interest income	**388,000**	438,000
	23,877,000	24,445,000
Other deductions from income:		
Interest expense	**1,644,000**	446,000
Expenditures on exploration	**4,659,000**	4,259,000
Expenditures on research and process development	**2,207,000**	4,074,000
	8,510,000	8,779,000
Earnings before taxes and investment income	**15,367,000**	15,666,000
Income and mining taxes:		
Current	**460,000**	136,000
Deferred	**6,140,000**	6,650,000
	6,600,000	6,786,000
Earnings after taxes, before investment income	**8,767,000**	8,880,000
Investment income:		
Earnings of wholly-owned subsidiaries not engaged in nickel operations — (note 8)		
Wesfrob Mines Limited	**4,449,000**	
Fahralloy Canada Limited	**334,000**	335,000
Other	**97,000**	173,000
	4,880,000	508,000
Dividends received from —		
Partially-owned subsidiaries	**7,464,000**	13,121,000
Other companies	**2,842,000**	3,283,000
	10,306,000	16,404,000
	15,186,000	16,912,000
Earnings for the year	**$ 23,953,000**	$ 25,792,000

See notes to consolidated financial statements

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARIES

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1968

	1968	1967
Balance at beginning of year	**$107,761,000**	$100,442,000
Add:		
Earnings for the year	**23,953,000**	25,792,000
Gain (net) on the disposal of investments in subsidiary and other companies less $1,100,000 written off such investments in 1968	**12,203,000**	175,000
	143,917,000	126,409,000
Deduct:		
Dividends paid	**17,166,000**	17,148,000
Amount appropriated as reserve for investment in mining companies	**1,500,000**	1,500,000
	18,666,000	18,648,000
Balance at end of year	**$125,251,000**	$107,761,000

See notes to consolidated financial statements

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARIES

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1968

	1968	1967
SOURCE OF FUNDS:		
From operations being —		
Earnings for the year	**$ 23,953,000**	$ 25,792,000
Charges against earnings which in themselves did not involve a cash outlay during the year:		
Depreciation	**9,848,000**	4,497,000
Preproduction expenditures written off	**5,490,000**	
Income and mining taxes deferred to future years	**6,094,000**	6,995,000
	45,385,000	37,284,000
Sale of shares in and repayment of debentures and advances by unconsolidated subsidiary and other companies	**15,916,000**	622,000
Issue of shares under options and warrants	**20,000**	385,000
Mortgages payable on company housing	**880,000**	384,000
Special refundable tax	**364,000**	(121,000)
	62,565,000	38,554,000
APPLICATION OF FUNDS:		
Payment of dividends to shareholders	**17,166,000**	17,148,000
Expenditures (net) on property and plant and on mines to be brought into production in future years (net of deferred taxes of $181,000 in 1968 and $200,000 in 1967)	**38,188,000**	46,566,000
Purchase of shares and debentures in and the advancing of funds to unconsolidated subsidiary and other companies	**5,553,000**	4,586,000
Increase in supplies and other non-current assets	**752,000**	1,670,000
	61,659,000	69,970,000
Increase (decrease) in funds during the year	**906,000**	(31,416,000)
Working capital at beginning of year	**1,357,000**	32,773,000
Working capital at end of year	**$ 2,263,000**	$ 1,357,000

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1968

1. The consolidated financial statements for 1968 reflect the financial position and the results of operations of Falconbridge Nickel Mines Limited and all its wholly-owned subsidiary companies.

   The partially-owned subsidiaries have not been consolidated as it is the company's view that a more intelligent appraisal of its financial position may be obtained from the attached financial statements together with the information supplied on pages 22 to 32 with respect to the more important unconsolidated subsidiary and other companies. The earnings of the unconsolidated subsidiary companies are included in income to the extent of dividends received; such dividends were $1,200,000 in excess of the company's share of the aggregate profits less losses of the subsidiaries for their financial years ended in 1968. The company's share of the aggregate of the accumulated profits less losses of these subsidiaries from date of acquisition to the end of their 1968 financial years not taken up in the parent company's accounts amounted to approximately $8,700,000.

2. Assets and liabilities in currencies other than Canadian dollars have been translated into Canadian dollars at current quoted rates of exchange at December 31, 1968, except fixed assets and the related accumulated depreciation which have been translated at the rates prevailing when the expenditures on fixed assets were made. Revenues and expenses in currencies other

than Canadian dollars have been translated into Canadian dollars at the average monthly quoted rates of exchange except that provisions for depreciation have been translated at the rates prevailing when the expenditures on the related fixed assets were made.

3. Inventories consist of the following:

	1968	1967
Falconbridge Nickel Mines Limited—		
Refined metals	$ 2,499,000	$ 2,118,000
Matte and metals in process	11,154,000	7,786,000
	13,653,000	9,904,000
Wesfrob Mines Limited —		
Concentrates awaiting shipment	2,787,000	1,847,000
Fahralloy Canada Limited —		
Materials and work in process	1,273,000	1,221,000
	$17,713,000	$12,972,000

The cost of inventories derived from the company's own ore ($12,769,000 in 1968) has been determined on a "last-in, first-out" basis; the cost of inventories derived from other sources ($884,000 in 1968) has been determined on a "first-in, first-out" basis. The concentrate inventories of Wesfrob Mines Limited have been valued at estimated net realizable value. The materials inventories of Fahralloy Canada Limited ($586,000 in 1968) have been valued at average cost and its work in process inventories ($687,000 in 1968) at direct cost.

4. It is Falconbridge's practice to:

a) defer preproduction expenditures (being expenditures other than capital made for the purpose of bringing new mines into production) until a new mine comes into production at which time such expenditures are written off in an appropriate manner, and

b) write-off development expenditures (being those incurred by mines in production) as such expenditures are incurred.

The write-offs of such expenditures are limited to an aggregate annual amount equivalent to $2.00 per ton of company ore treated.

5. There are commitments outstanding in connection with construction in progress and development and exploration amounting to approximately $5,000,000. The company presently anticipates substantial expenditures in connection with the development of a proposed mining and metallurgical complex in the Dominican Republic, referred to on page 9.

6. During the year the company reserved 90,000 unissued shares for the purpose of granting to certain officers and employees options to purchase shares of the company exercisable at 95% of the market price at the close of business on the day preceding the granting of the option. On December 11, 1968, options expiring December 19, 1978 were granted to purchase 84,500 shares at $96 per share, none of which options had been exercised at December 31, 1968. The options which contain a termination of employment clause may be exercised at a cumulative rate not in excess of 20% per annum.

On January 31, 1962, Falconbridge purchased all the assets and assumed all the liabilities and obligations of Ventures Limited. As partial consideration for the transaction Falconbridge agreed to issue shares of its unissued capital stock at approximately U.S. $20.00 per share in exchange for warrants held by Ventures' debenture holders. Following the issue of 953 shares in 1968, warrants to purchase 116 shares of Falconbridge on or before October 1, 1969, remain outstanding.

7. Remuneration of directors and senior officers of the company:

	1968	1967
Paid by the company and its consolidated subsidiaries	$ 868,000	$ 549,000
Paid by other subsidiaries of the company	58,000	7,000
	$ 926,000	$ 556,000

8. Earnings of wholly-owned subsidiaries not engaged in nickel operations include the following:

	1968	1967
Sales and operating revenues	$19,033,000	$ 7,153,000
Depreciation	3,012,000	317,000
Preproduction expenditures*	2,138,000	
Income and mining taxes (including deferred taxes of $46,000 recovered in 1968 and $345,000 provided in 1967)	415,000	357,000

*Preproduction expenditures deferred by Wesfrob prior to the commencement of production in 1968 are being written off at a rate of 15% per annum.

STATEMENT OF CONSOLIDATED INVESTMENT IN UNCONSOLIDAT

	1968			
	SHARES			
	Number of shares or par value	% of outstanding capital	Indicated market value (note A)	Advances and debentures
SUBSIDIARY COMPANIES:				
Alminex Limited	3,913,871	51.2	$ 24,266,000	
Canadian Malartic Gold Mines Limited	2,213,222	60.6	332,000	
Dominion Magnesium Limited	263,004	55.2	1,446,000	
Empire Ventures Limited				
Class A shares (note B)	500	58.8		
Class B shares (note B)	10,000	58.8		
5¾% demand note	$ 27,500			
Falconbridge Dominicana C por A (notes B and C)	1,279,866	85.4		$ 2,340,00
Horne Fault Mines Limited	1,988,638	58.5	298,000	
Indusmin Limited (note E)	805,688	69.0	17,016,000	
Industrial Minerals of Canada Limited (note E)				
Kiena Gold Mines Limited				
Preferred shares (note B)	2,467,459	100.0		
Common shares	3,331,203	68.3	4,330,000	
6% income debentures due December 31, 1977-78	$ 250,000			215,00
Kilembe Copper Cobalt Ltd.	2,820,827	72.8	28,208,000	
Lake Dufault Mines Limited	2,111,630	51.1	14,464,000	
La Luz Mines Limited	878,600	55.6	8,039,000	
New Pascalis Mines Limited	735,494	61.3	331,000	
New Quebec Raglan Mines Limited	4,536,196	60.5	53,301,000	
Q. M. I. Minerals Limited (note E)				
Raglan Quebec Mines Limited				
6% Redeemable non-voting cumulative preferred shares (notes B and D)	3,280,894	100.0		
Zeballos Iron Mines Limited				
5% income debenture due December 31, 1972				
6% series B bond due March 31, 1970	U.S. $ 1,897,059			
6¼% bond due March 31, 1970	U.S. $ 714,377			362,00
Miscellaneous shareholdings and advances			259,000	10,00
			$152,290,000	$ 2,927,00
OTHER COMPANIES:				
Akaitcho Yellowknife Gold Mines Limited	1,198,230	36.7	$ 719,000	
Canada Tungsten Mining Corporation				
6% debentures due December 31, 1971	$ 389,136			$ 389,00
6% demand note				
Dunraine Mines Limited	1,068,488	48.6	438,000	
Fahralloy-Wisconsin Limited				
Class A shares (note B)	2,000	50.0		100,00
Giant Yellowknife Mines Limited	824,409	19.2	11,130,000	
Joliet-Quebec Mines Limited	1,128,800	22.0	373,000	
Marbridge Mines Limited (note B)	1,500,000	50.0		
McIntyre Porcupine Mines Limited	175,825	7.4	16,440,000	
Opemiska Copper Mines (Quebec) Limited	1,993,236	36.1	18,538,000	
Thompson-Lundmark Gold Mines Limited	600,000	12.0	228,000	
United Keno Hill Mines Limited	1,195,989	48.4	8,372,000	
Ventron Corporation				
Miscellaneous shareholdings			942,000	82,00
			$ 57,180,000	$ 571,00
Total			$209,470,000	$ 3,498,00

SUBSIDIARY AND OTHER COMPANIES AS AT DECEMBER 31, 1968

1967			
SHARES			
Number of shares or par value	% of outstanding capital	Indicated market value (note A)	Advances and debentures
3,913,871	51.2	$ 27,006,000	
2,212,760	60.6	265,000	
263,004	55.2	1,315,000	
500	58.8		
10,000	58.8		
$ 27,500			$ 28,000
817,253	81.7		1,303,000
1,988,638	58.5	278,000	
657,961	68.1	8,060,000	
2,467,459	100.0		
3,331,203	68.3	2,690,000	
$ 250,000			215,000
2,820,827	72.8	21,156,000	
2,111,630	51.1	24,009,000	
920,794	58.3	12,431,000	
735,494	61.3	257,000	
4,536,196	60.5	31,300,000	
682,212	67.4	1,706,000	
2,105,977	100.0		
$ 305,500			305,000
U.S. $ 1,897,059			1,033,000
U.S. $ 714,377			362,000
		246,000	13,000
		$130,719,000	$ 3,259,000
1,198,230	36.7	$ 479,000	
$ 389,136			$ 389,000
$ 145,200			145,000
1,068,479	48.6	299,000	
2,000	50.0		100,000
1,080,809	25.1	10,160,000	
1,128,800	22.0	395,000	
1,500,000	50.0		
175,825	7.4	14,242,000	
1,993,236	36.1	19,235,000	
600,000	12.0	216,000	
1,195,989	48.4	8,372,000	
162,538	40.5	11,378,000	
		807,000	45,000
		$ 65,583,000	$ 679,000
		$196,302,000	$ 3,938,000

NOTES

A. The market values shown are based on closing market prices at December 31, 1968 and December 31, 1967. Because of the number of shares involved and the fact that in certain instances the securities listed herein represent control of the companies concerned, the amounts that would be realized if these securities were to be sold may be considerably more or less than their indicated market value.

B. The relative securities of these companies are not traded and accordingly no market values are available.

C. An option to purchase 47,664 shares of Falconbridge Dominicana C por A at U.S. $10.00 per share has been granted to the Dominican Government.

D. The preferred shares of Raglan Quebec Mines Limited at December 31, 1968 and 1967, include shares that Falconbridge was entitled to receive as at those respective dates under agreement with such company which provided for the issuance of shares to Falconbridge as consideration for any exploration work carried out by Falconbridge on the properties of such company. Raglan Quebec Mines Limited is a subsidiary of New Quebec Raglan Mines Limited.

E. During 1968 the company's holdings of common shares of Industrial Minerals of Canada Limited and Q.M.I. Minerals Limited were exchanged for common shares of Indusmin Limited as a result of an amalgamation of these companies.

COMMENTS ON THE MORE IMPORTANT CONSOLIDATED WHOLLY-OWNED SUBSIDIARY COMPANIES

FAHRALLOY CANADA LIMITED

The lower level of activity that prevailed in 1967 in the foundry industry in which Fahralloy operates continued throughout the past year. It is encouraging to record, however, that throughout this period of depressed business conditions Fahralloy has maintained its relative share of the business available.

Shipments and earnings of Fahralloy's 50 per cent owned associate, Fahralloy-Wisconsin Limited, which specializes in centrifugal castings, were about twice as great as in 1967, its initial year of operation.

Fahralloy's earnings, including its interest in the earnings of Fahralloy-Wisconsin amounted to $334,000 — slightly below the 1967 figure of $335,000.

Fahralloy plant in Orillia, Ontario, opened in 1967.

	1968	1967
Shipments		
Net tons	5,559	6,015
Financial		
Sales of castings and fabricated materials	$ 5,664,000	$ 5,836,000
Depreciation	213,000	216,000
Equity in earnings of Fahralloy-Wisconsin Limited	68,000	24,000
Income taxes — deferred	311,000	345,000
Earnings for year	334,000	335,000

Management 1968

President and Managing Director — T. G. Beament, Orillia, Ontario
Executive Vice-President — J. A. Wilson, Orillia, Ontario

Vertical centrifugal casting at Fahralloy.

WESFROB MINES LIMITED

Reconstruction of the Tasu cobbing plant following the fire in December, 1967, was completed in March. There was some tune-up production of iron and copper concentrates during that month, the net proceeds from which were transferred to the preproduction account. The plant commenced production on a commercial basis in April, 1968. No comparative figures are shown for 1967 since earnings from the restricted operations carried on in that year were applied as a reduction of preproduction expenses. Damage to the plant and loss of earnings attributable to the fire are covered by insurance and a settlement is being negotiated.

Iron ore reserves were substantially above estimate in the areas mined in 1968 and copper reserves were slightly higher.

The customer for pellet feed exercised his option to reduce purchases by 10 per cent which caused operating difficulties because of full stockpiles — and this also restricted copper production. The plant proved fully capable of producing at the designed tonnage rate. Labour supply continues to be a major problem, particularly in the mechanical trades, and a training program is being implemented.

	April 1 to December 31 1968
Production	
Iron concentrates — Dry metric tons	692,113
Copper concentrates — Dry metric tons	26,522
Total	718,635
Financial	
Value of production	$12,183,000
Operating profits before undermentioned items	7,828,000
Depreciation including loss on disposal of fixed assets	2,683,000
Preproduction expenditures written off	2,138,000
Estimated net proceeds of loss of profits insurance	1,460,000
Income and mining taxes:	
Current	432,000
Deferred	(357,000)
Earnings for period	$ 4,449,000

Management 1968

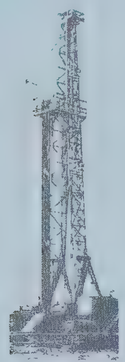
President	D. R. DeLaporte, Toronto
Mine Manager	F. A. Godfrey, Tasu, Queen Charlotte Islands, B.C.

OPEN PIT MINING at the Tasu development in the Queen Charlotte Islands, B.C.

ATTRACTIVE COMMUNITY of Tasu provides suburban-type housing and amenities for employees and their families.

COMMENTS ON THE MORE IMPORTANT UNCONSOLIDATED SUBSIDIARY AND ASSOCIATED COMPANIES

ALMINEX LIMITED



During 1968, production of crude oil and natural gas liquids was up approximately 9 per cent while natural gas production increased 4 per cent. Production of sulphur rose to 9,680 long tons from 8,200 long tons in 1967.

Earnings after all charges amounted to $747,000 compared with $1,023,000 for 1967.

The dividend payment was $917,000 or 12 cents per share closely matched with $915,000 or 12 cents per share during 1967. The company's bank loan was reduced by $1,078,000 and stood at $734,000 at year-end.

Reserves of proven crude oil and natural gas liquids as of December 1967 were down 3.0 per cent after allowing for production during the year.

Capitalization	As at December 31, 1968 Outstanding	Held by Falconbridge	
Common shares	7,644,161	3,913,871	51.2%

Debt

Outstanding loans December 31, 1968	$734,000

Production	1968	1967	Increase
Crude oil and natural gas liquids (barrels per day)	3,762	3,446	9%
Gas (thousands cubic feet per day)	13,900	13,400	4%

Reserves (Proven and Probable)	As at December 31 1968	1967
Crude oil and natural gas liquids (barrels)	51,687,000	53,380,000
Natural gas (billions of cubic feet)	170.9	162.80
Sulphur (long tons)	252,000	259,000

Financial	Year ended December 31 1968	1967
Net production income after royalties and operating expenses	$4,177,000	$3,877,000
Profit before write-offs for depreciation, depletion and property surrendered	2,712,000	2,530,000
Income tax	745,000	400,000
Earnings after all charges	747,000	1,023,000
Dividends paid — 12¢ in 1968 and 1967	917,000	915,000

Falconbridge interest in		Per share of Falconbridge
Earnings after all charges	$ 382,000	$ .08
Dividends paid	470,000	.09
Excess of dividends over earnings	$ (88,000)	$ (.01)

Management 1968

President	F. R. Burton, Toronto
Vice-President and General Manager	J. N. Stephen, Calgary

DOMINION MAGNESIUM LIMITED

Consolidated net loss for the year amounted to $97,000 or 20 cents per share compared to net earnings of $273,000 or 57 cents per share in the previous year. The loss was due mainly to the high costs of ferrosilicon from the Beauharnois smelter, resulting from excessive maintenance costs and downtime. A major program to improve and expand this facility will be completed in 1969.

The present market demand for magnesium is strong and should continue throughout 1969. Calcium sales increased toward the year-end. Delivery demands for the first quarter of 1969 indicate a good sales volume for the whole year.

Aerometals Limited sales for the year were $580,000 up 52 per cent from the previous year. The recently developed magnesium concrete bucket and magnesium dockboards were responsible for the increase.

No dividend was paid in 1968, and working capital decreased by $59,000 during the year.

	As at December 31, 1968		
Capitalization	Outstanding	Held by Falconbridge	
Common shares	476,270	263,004	55.2%

Shipments	Year ended December 31	
	1968	1967
Magnesium — pounds	22,200,000	19,554,000
Calcium — pounds	469,000	554,000
Thorium — pounds	1,000	800
Titanium — pounds	4,000	18,000
Dolomite — tons	20,000	22,000
Financial		
Net Sales	$ 8,553,000	$ 7,746,000
Profit before depreciation	190,000	572,000
Earnings (Loss) after all charges	(97,000)	273,000
Dividends paid 25¢ in 1967	—	119,000
Working capital	3,424,000	3,483,000

Falconbridge interest in		Per share of Falconbridge
Earnings (Loss) after all charges	$ (53,300)	$ (.01)
Dividends paid	Nil	
Excess (Deficiency) of earnings over dividends	$ (53,300)	$ (.01)

Management 1968

Vice-President and General Manager
J. Thomson, Toronto

Plant Manager
D. J. McPhail, Haley, Ontario

Plant Manager (Aerometals Limited)
W. Z. Jarmicki, Toronto

General view of main plant at Haley, Ontario.

GIANT YELLOWKNIFE MINES LIMITED

Aerial view of company operations at Yellowknife, Northwest Territories.

Earnings of $1,990,000 increased over the $1,427,000 of 1967, mainly because of an increase in tonnage from each of the three properties and higher prices for Giant gold. Labour supply improved over 1967 but turnover remained high, with skilled miners in short supply for most of the year. A new collective bargaining agreement with a two-year term became effective October 1, 1968.

Developed ore reserves decreased by 357,050 tons from the 1967 year-end figure. Although a small amount of ore was developed by diamond drilling, offsetting tonnages were deleted from reserves, based on new information obtained from mining and diamond drilling. The developed reserves at December 31, 1968, including those of Lolor and Supercrest, totalled 1,688,250 tons grading 0.725 oz. gold per ton, compared with 2,045,300 tons grading 0.699 oz. gold per ton a year earlier. Diamond drilling done over the past two years in Supercrest indicates 226,000 tons of possible ore grading 0.76 oz. gold per ton below the 750-foot level.

	As at December 31, 1968		
Capitalization	Outstanding	Held by Falconbridge	
Common shares	4,303,050	824,409	19.2%

	Year ended December 31	
Production (Consolidated)	1968	1967
Tons milled	375,000	320,000
Gold ounces produced	210,000	190,000
Financial (Consolidated)		
Net value of metals produced	$ 8,739,000	$ 7,205,000
Profit before amortization and depreciation	2,397,000	1,744,000
Earnings after all charges	1,990,000	1,427,000
Dividends paid	1,721,000	1,721,000
Working capital	6,432,000	6,059,000

Falconbridge interest in		Per share of Falconbridge
Earnings after all charges	$ 381,000	$ .08
Dividends paid	329,000	.07
Excess of earnings over dividends	$ 52,000	$ .01

Management 1968

Vice-President and Managing Director	D. R. DeLaporte, Toronto
Mine Manager	W. A. Case, Yellowknife, N.W.T.

BULK CARRIER (shown opposite) arrives at Killarney, Ontario in 1968 to load first shipment of Indusmin silica from company's Georgian Bay operations.

INDUSMIN LIMITED

In October, 1968 the Board of Directors of Industrial Minerals of Canada Limited proposed a merger, subsequently approved by shareholders, for the amalgamation of its subsidiary Indusmin Limited with Q.M.I. Minerals Limited (another Falconbridge subsidiary) under the Canada Corporations Act. Indusmin Limited, is the amalgamated company. Industrial shareholders received Indusmin shares on a share-for-share basis. Q.M.I. shareholders received one share of Indusmin for each five shares held.

Q.M.I. Minerals Limited had net liquid assets of approximately $3,000,000 (cash, short-term investments, and marketable securities) and certain other assets but no active business operations.

In pursuing its program for growth and diversification, Indusmin acquired in mid-1968 the silica deposit, crushing plant and other installations of Union Carbide Canada Limited located at Killarney, Ontario, adjacent to Indusmin's own silica deposit on Badgeley Island in Georgian Bay. These operations will supply a primary product for certain markets and a secondary process plant to be erected in Midland, Ontario, in 1969. Estimated total capital investment is $6,000,000.

	As at December 31, 1968		
Capitalization	Outstanding	Held by Falconbridge	
Common shares	1,167,901	805,688	68.99%

	Year ended December 31	
Financial	1968	1967
Sales of all products	$ 7,379,000	$ 6,533,000
Profit before depreciation and amortization	2,433,000	1,976,000
Earnings after all charges	1,333,000	992,000
*Dividends paid — 75¢ in 1968, 60¢ in 1967	825,000	550,000
Working capital	2,305,000	1,249,000

*Includes 10¢ per share on 1,012,020 shares of QMI Minerals Limited outstanding at time of payment

Falconbridge interest in		Per share of Falconbridge
Earnings after all charges	$ 919,685	$ .19
Dividends paid	567,336	.12
Excess of earnings over dividends	$ 352,349	$ .07

Management 1968

Executive Vice-President and Managing Director	J. J. Mather, Toronto
General Manager Production Operations	D. C. McDonald, Toronto

KILEMBE COPPER COBALT LTD.

The Company's subsidiary in Uganda produced 15,000 tons of blister copper in 1968, an increase of 7 per cent over that of 1967. Production costs showed a further increase in all departments due to increased labour costs and inflationary trends in all stores and equipment purchases. All copper was sold on the basis of the London Metal Exchange average monthly settlement price which fluctuated during the year from a high of 71 cents per pound in February to a low of 43 cents per pound in July. The average price received for the Company's blister copper was 60 cents per pound compared to 56 cents per pound in 1967.

Earnings for 1968 were substantially higher at $2,426,000 or 62.6 cents per share. Dividends totalling 60 cents per share were paid and working capital decreased by $189,000 to $2,820,000 at December 31, 1968.

During 1968, generation of new ore amounted to 777,000 tons. Some 1,022,000 tons of ore were mined, resulting in a reduction of proven and probable reserves of 431,000 tons, to 6,166,000 tons grading 2.01 per cent copper.

	As at December 31, 1968		
Capitalization	Outstanding	Held by Falconbridge	
Common shares	3,877,027	2,820,827	72.8%

	Year ended December 31	
Production	1968	1967
Tons milled	1,022,000	953,000
Blister copper produced — long tons	15,000	14,000
Financial (Consolidated)		
Net value of metals produced	$19,102,000	$16,244,000
Profit before amortization, depreciation and minority interest	5,070,000	3,894,000
Profit before minority interest	3,416,000	844,000
Earnings after all charges and minority interests	2,426,000	599,000
Dividends paid — 60¢ in 1968, 25¢ in 1967	2,326,000	969,000
Working capital	2,820,000	3,009,000

Falconbridge interest in		Per share of Falconbridge
Earnings after all charges	$ 1,766,000	$ .36
Dividends paid	1,693,000	.34
Excess of earnings over dividends	$ 73,000	$ .02

Management 1968

Kilembe Copper Cobalt Ltd.
President — G. T. N. Woodrooffe, Toronto

Kilembe Mines Limited
Chairman and Managing Director — A. E. Pugsley, Kilembe, Uganda

Operations of Kilembe Mines Limited in Uganda.

LA LUZ MINES LIMITED

Consolidated net earnings in the fiscal year ended September 30, 1968 amounted to U.S. $3,924,000, equivalent to Can. $2.66 per share. This was lower than the U.S. $4,736,000 or Can. $3.23 per share for the year ended September 30, 1967. The primary factors causing the decrease were a reduction in the grade of ore treated at Rosita and the lower tonnage treated at both mines during the last seven weeks of 1968.

The Company's hydro-electric generating facilities were completely destroyed by floods in August. Operations at the La Luz gold mine were suspended and production at the Rosita copper mine was reduced to one-third capacity until November, when the normal milling rate of 850 tons per day was resumed at Rosita. These factors more than offset the higher average price received for copper during the year.

Copper production was down approximately 7,455,000 pounds while gold and silver production decreased approximately 3,600 ozs. and 41,600 ozs. respectively compared with the previous year.

Earnings for the three months period ended December 31, 1968 amounted to 39 per share, compared to 98 cents per share in the corresponding period of the prior year. No dividend was paid in December 1968. A dividend of 25 cents per share has been declared, payable on March 17, 1969.

Ore reserves at the Rosita copper mine at September 30, 1968 amounted to approximately 1,672,000 tons averaging 1.42 per cent copper.

Plans are being implemented to expand the capacity of the Rosita plant to at least 2,000 tons per day. The target date for completion of the expansion program is November, 1969, after which production is scheduled at 15,000,000 pounds of copper per year.

Capitalization	As at December 31, 1968 Outstanding	Held by Falconbridge	
Common shares	1,580,759	878,600	55.6%

Production	Year ended September 30 1968	1967
La Luz		
Tons gold ore milled	566,000	653,000
Ounces gold produced	49,000	47,000
Pounds copper produced	446,000	644,000
Rosita		
Tons copper ore milled	280,000	334,000
Pounds copper produced	13,630,000	20,887,000
Financial (Consolidated)	(in U.S. funds)	
Net value of metals produced	$ 8,930,000	$10,292,000
Earnings before amortization and depreciation	4,190,000	5,510,000
Earnings after all charges	3,924,000	4,736,000
Dividends paid — (Can. $3.00 in 1968, Can. $5.50 in 1967)	4,396,000	8,043,000
Working Capital	5,666,000	5,623,000

Falconbridge interest in		Per share of Falconbridge
Earnings after all charges	$ 2,182,000	Can. $ .48
Dividends paid	2,509,000	.55
Excess of dividends over earnings	$ (327,000)	Can. $ (.07)

Management 1968

President	H. S. McGowan, Nassau, Bahamas
Manager, La Luz Mine	J. Plecash, Siuna, Nicaragua
Manager, Rosita Mine	C. L. Spencer, Siuna, Nicaragua

Photo on facing page shows open-pit copper mining at Rosita Mines Limited, wholly-owned subsidiary of La Luz Mines Limited, Nicaragua.

LAKE DUFAULT MINES LIMITED

Net earnings of $2,817,000, equal to 68 cents per share, were down from the $14,743,000 or $3.57 per share in 1967; the sharp decrease reflected the lower grade, decreased tonnage treated, the end of the tax-free period, and rising costs. The average price for copper settlements was up at 55 cents per pound, compared to 49.4 cents per pound in 1967. The upward trend of copper prices which started in 1967 reversed during the year, with the latest settlements at 48 cents per pound. Zinc prices remained relatively stable but revenue from zinc was down due to increased treatment charges and lower grade of ore treated. Total operating costs in 1968, including administration and general expenses, were up — due largely to adjustments attributable to a stockpile of development ore accumulated during 1966 and 1967 and milled in 1968.

Due to a five-month strike by the contract diamond drillers, only about half of the planned surface drill program for 1968 was completed; therefore exploration and development costs were lower at $710,000, as compared to $1,196,000 for 1967. No commercial mineral concentrations were outlined by this program in 1968, but results were sufficiently encouraging to warrant a continuing program for 1969 at approximately the same rate planned for 1968.

The sinking of the Millenbach Shaft (named in honour of Mr. J. P. Millenbach) in the D-134 area, which was announced in February 1968, is well under way. Surface plant installation was completed and at year-end the shaft had reached a depth of 481 feet. At year-end the expenditures for this project were $1,211,476, of which $658,006 was capital. As previously reported, this expenditure is being financed from operating revenues. In view of this and the further decline in earnings due to the lower grade of ore milled, it is expected that the dividend rate will decrease. The dividend payments in 1968 were $1.25 per share.

A total of 415,000 tons of ore averaging 2.05% copper and 3.96% zinc were treated during the year. The lower treatment rate is a result of increased hardness of ore. Ore reserves at year-end 1968 were 909,000 tons grading 1.6 per cent copper and 1.5 per cent zinc. The decrease in reserves of only 97,000 tons is due to the inclusion of reserves developed in C and D zones. Production from D zone started in 1968 and the development of C zone will commence early in 1969. With these reserves, it should be possible to continue production in the present mine into 1971, by which time the potential of the D-134 area will have been evaluated.

During the year, Mr. J. P. Millenbach retired as President and was succeeded by Mr. J. R. Smith.

	As at December 31, 1968		
Capitalization	Outstanding	Held by Falconbridge	
Common shares	4,134,750	2,111,630	51.1%

	Year ended December 31	
Production	1968	1967
Tons ore milled	415,000	493,000
Pounds copper produced	16,087,000	37,334,000
Pounds zinc produced	24,613,000	68,773,000
Financial		
Net value of metals produced	$ 8,944,000	$21,589,000
Profit before amortization and depreciation	4,551,000	16,964,000
Earnings after all charges	2,817,000	14,743,000
Dividends paid — $1.25 in 1968, $4.00 in 1967	5,168,000	16,539,000
Working capital	11,525,000	13,032,000

Falconbridge interest in		Per share of Falconbridge
Earnings after all charges	$ 1,439,000	$ .29
Dividends paid	2,641,000	.54
Excess of dividends over earnings	$ (1,202,000)	($ .25)

Management 1968

President J. R. Smith, Toronto
Mine Manager W. R. Wright, Noranda, Quebec

MARBRIDGE MINES LIMITED

This small but high-grade nickel producer in Quebec, in which Falconbridge holds a 50 per cent interest, was mined out and closed down in June 1968. It had been in production since early 1962.

	As at December 31, 1968		
Capitalization	Outstanding	Held by Falconbridge	
Common shares	3,000,000	1,500,000	50%

	Year ended December 31	
Production	1968	1967
Tons milled	55,000	79,000
Pounds nickel in concentrates	1,315,000	2,211,000
Financial		
Net value of metals produced	$ 926,000	$1,588,000
Earnings after all charges	12,000	44,000
Dividends paid — 26¢ in 1968, 41¢ in 1967	780,000	1,230,000
Working capital	218,000	761,000

Falconbridge interest in		Per share of Falconbridge
Net earnings after all charges	$ 6,000	$
Dividends paid	390,000	.06
Excess of dividends over earnings	$ (384,000)	$ (.06)

Management 1968

President R. Campbell, Toronto
Mine Manager R. C. Staveley, Malartic, Quebec

LAKE DUFAULT miner operating a loader underground at company property in Quebec.

NEW QUEBEC RAGLAN MINES LIMITED

ACTIVITY AT RAGLAN property in 1968 included extensive exploration and development work. By year-end, site preparations for an underground test were well advanced.

Under the terms of the 1965 agreement between Falconbridge Nickel Mines Limited, Bilson Quebec Mines Limited, Raglan Nickel Mines Limited and Raglan Quebec Mines Limited, and amended on the 1st of May, 1967, Falconbridge continued exploration and development work on the properties held by Raglan Quebec Mines Limited in New Quebec. In consideration for the expenditure of $1,174,916 made by Falconbridge during the year, Falconbridge is entitled to receive an additional 1,174,916 preferred shares at the rate of one share for each dollar so expended. The balance of expenditures made during the year, $42,000, was paid for by New Quebec Raglan.

The companies' properties held under four mineral exploration licenses and two unpatented mining claims were maintained in good standing. An additional 234 claims in several non-contiguous blocks were staked in the Timmins Lake area, located several miles to the south of the above properties.

During the year 60,073 feet of diamond drilling as well as further geological, geophysical and topographic surveys were completed in the Boundary, Raglan and Katiniq areas. Drilling to date in the latter two areas has indicated probable ore reserves of 6,013,000 tons at grade of 3.66 per cent nickel and 0.93 per cent copper (undiluted). These estimates provide the basis for the current feasibility studies.

The Raglan site preparations for an underground test were advanced to near completion. This work included the construction of a 3,000′ gravel airstrip as well as access roads to the plant and camp area. Hydrographic surveys of Wakeham Bay confirmed the advantages of this harbour as a primary access port. Two boat shipments were landed at Wakeham Bay during the shipping season.

Capitalization

	As at December 31, 1968		
	Outstanding	Held by Falconbridge	
Common shares —			
New Quebec Raglan Mines Limited	7,500,000	4,536,196	60.5%
Preferred shares —			
Raglan Quebec Mines Limited	*2,105,978	2,105,978	100.0%

*At December 31, 1968, expenditures had been incurred for which Falconbridge is entitled to receive an additional 1,174,916 shares.

Management 1968

President	H. J. Fraser, Toronto
Falconbridge Project Manager	H. A. Leavitt, Montreal

OPEMISKA COPPER MINES (QUEBEC) LIMITED

Net earnings amounted to $4,507,000 or 82 cents per share, compared with $5,156,000 or 93.5 cents per share in 1967. Earnings were adversely affected by increases in the cost of labour and materials, and by substantially higher expenditures on exploration and development.

Copper contained in concentrates produced during the year was valued at 49.4 cents per pound compared with 48.6 cents in 1967. The price received for the latest settlement was 49 cents. Although the tonnage treated was increased slightly, the copper content was lower by some 800,000 pounds, reflecting a lower grade of mill feed.

Ore reserves at December 31, 1968, again showed an important increase, amounting to 7,077,000 tons averaging 2.92 per cent copper, compared with 6,267,000 tons averaging 3.00 per cent copper a year earlier.

OPEMISKA geologist examines drill core sample at company property in northwestern Quebec.

Deepening of the Perry shaft to the planned depth of 3,319 feet below surface was finished and lateral development on five of the new levels is in progress. Development of the Beaver Lake ore body from the Robitaille shaft has been largely completed.

Dividend payments in 1968 totalled $4,412,000 or 80 cents per share, equal to the 1967 payments. Working capital at December 31, 1968 amounted to $10,976,000, an increase during the year of $644,000.

A new three-year collective bargaining agreement was reached, running from April 1, 1968 to March 31, 1971.

Capitalization	As at December 31, 1968 Outstanding	Held by Falconbridge	
Common shares	5,515,000	1,993,236	36.1%

Production	Year ended December 31 1968	1967
Tons ore milled	744,000	737,000
Pounds copper produced	40,730,000	41,533,000
Ounces gold produced	11,500	13,000
Ounces silver produced	248,000	267,000
Financial		
Net value of metals produced	$17,099,000	$17,772,000
Profit before amortization and depreciation	5,601,000	6,233,000
Earnings after all charges	4,507,000	5,156,000
Dividends paid — 80¢ in 1968 and 1967	4,412,000	4,412,000
Working capital	10,976,000	10,332,000

Falconbridge interest in		Per share of Falconbridge
Earnings after all charges	$ 1,627,000	$ .33
Dividends paid	1,595,000	.33
Excess of earnings over dividends	$ 32,000	$ —

Management 1968

President	J. P. Millenbach, Toronto
General Manager	H. C. Herz, Toronto
Mine Manager	F. G. Cooke, Chapais, Quebec

UNITED KENO HILL MINES LIMITED

The financial position of the Company was maintained during the year. Net earnings amounted to $356,000 or 14 cents per share compared with $1,857,000 or 75 cents per share in 1967. Working capital at December 31, 1968 amounted to $8,261,000, an increase of $507,000 from the previous year's $7,754,000.

Production in 1968 came from the Calumet mine, and operational refinements began to show encouraging cost trends. The ore reserve position was relatively unchanged.

A new collective bargaining agreement was signed with the Union for a two-year term from June 1, 1968. Labour turnover was noticeably less, with a consequent improvement of efficiency.

During the year a major rehabilitation program continued in the Sadie Ladue Mine. Minor remanent ore pillars were located and near year-end a newly found parallel structure was under investigation. This program will continue in 1969.

UNITED KENO HILL property in the Yukon Territory, showing community of Elsa.

The Husky Shaft program continued during the year. Progress was delayed by heavy water flows but sinking was completed by year-end. The 1969 program at Husky includes level development and underground exploration.

The surface exploration program indicated several interesting targets for future intensive exploration.

Capitalization	As at December 31, 1968 Outstanding	Held by Falconbridge	
Common shares	2,470,000	1,195,989	48.5%

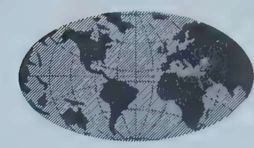
Production	Year ended December 31 1968	1967
Tons ore milled	61,000	106,000
Ounces silver produced	1,982,000	3,805,000
Pounds lead produced	7,419,000	15,469,000
Pounds zinc produced	6,213,000	10,872,000
Pounds cadmium produced	74,000	128,000
Financial		
Net value metal produced	$ 5,085,000	$ 7,905,000
Expenditures on exploration and development	1,186,000	395,000
Profit before depreciation	761,000	2,320,000
Earnings after all charges	356,000	1,857,000
Working capital	8,261,000	7,754,000
Falconbridge interest in		Per share of Falconbridge
Earnings after all charges	$ 172,000	$ .04

Management 1968

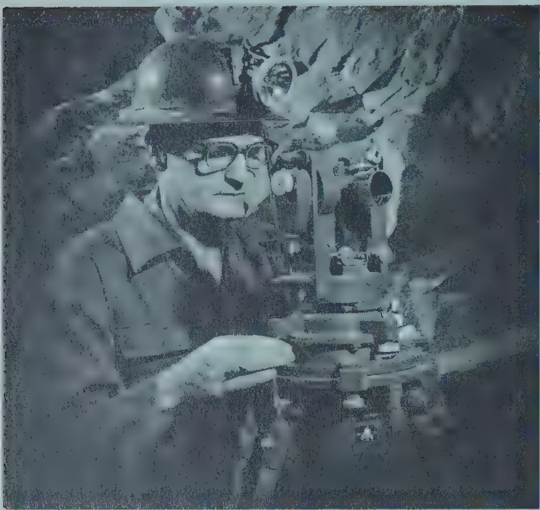
Vice-President and Managing Director	D. R. DeLaporte, Toronto
Mine Manager	G. A. Vary, Elsa, Yukon Territory

FALCONBRIDGE

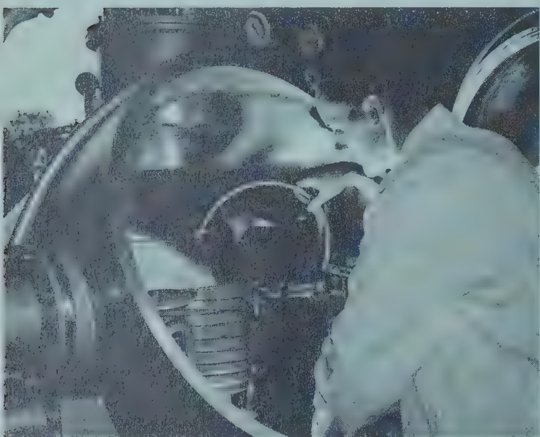
SERVING WORLD NICKEL MARKETS
through the following Sales Offices



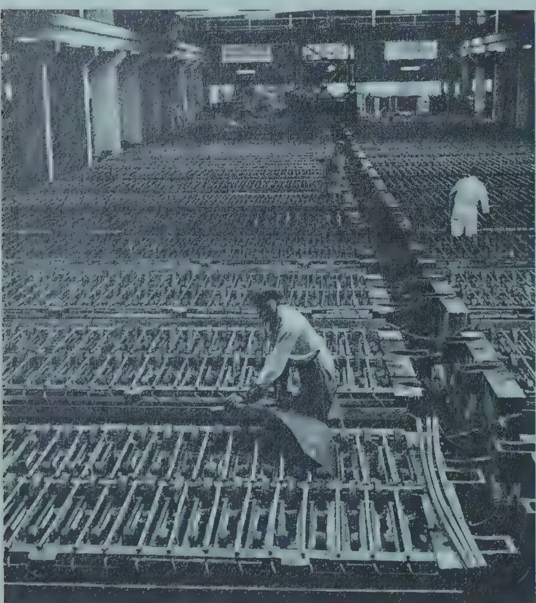
AUSTRALIA	Nickel & Nickel Alloys, 6th Floor — Griff House 324 Pitt Street, Sydney.
AUSTRIA	Braun & Braun Gesellschaft für Werksbedarf, Rosensteingasse 71, Vienna 17.
BELGIUM	Métaux Bruts Belges S.p.r.l., Oudaan 8/10, Antwerp.
CANADA	Falconbridge Nickel Mines Limited 7 King Street East, Toronto, Ontario.
DENMARK	AB Ferrolegeringar, Box 40 040, S-103, 4, Stockholm 40, Sweden.
FINLAND	AB Ferrolegeringar, Box 40 040, S-103, 4, Stockholm 40, Sweden.
FRANCE	Dieppedalle & Séailles, 39, Rue du Colisée, Paris 8e.
GERMANY (WEST)	Hütten Metall G.m.b.H., Humboldtstr. 12, Frankfurt Am Main, The Republic of West Germany
HOLLAND	Brandeis, Goldschmidt & Co. Ltd. 30 Gresham St., London E.C. 2, England.
HONG KONG	Jardine, Matheson & Co., Ltd., Industrial Supplies Dept., 22 Pedder Street, Hong Kong.
INDIA	Metal Distributors Ltd. Binani Buildings, 38 Strand Road, Calcutta 1.
ISRAEL	Brandeis, Goldschmidt & Co. Ltd. 30 Gresham Street, London E.C. 2, England.
ITALY	"Victoria" S.p.A., Piazza della Vittoria, 10, Genoa.
JAPAN	Mitsubishi Shoji Kaisha Ltd. 20 Marunouchi 2-Chome, Chiyoda-ku, Tokyo.
LATIN AMERICA	Philipp Brothers (Canada) Ltd. 1245 Sherbrooke St. West, Montreal 25, Canada.
LUXEMBOURG	Métaux Bruts Belges S.p.r.l., Oudaan 8/10, Antwerp, Belgium.
NEPAL	Metal Distributors (U.K.) Ltd. 59/67 Gresham St., London E.C. 2, England.
NEW ZEALAND	Automatic Plating Equipment Co. (N.Z.) Ltd. 103 Newton Road, Auckland, C.3.
NORWAY	Falconbridge Nikkelverk A/S Kristiansand S.
PAKISTAN	Metal Distributors (U.K.) Ltd. 59/67 Gresham St., London E.C. 2, England.
RHODESIA	Barry Colne & Co. (Pty.) Ltd., 257 Main Street, Johannesburg, South Africa.
SOUTH AFRICA	Barry Colne & Co. (Pty.) Ltd. 257 Main Street, Johannesburg, South Africa.
SPAIN	Jorge Pascual S.A., Pje. Marques de Santa Isabel 40, Barcelona 5.
SWEDEN	AB Ferrolegeringar, Box 40 040, S-103, 4, Stockholm 40.
SWITZERLAND	Voegeli & Co. Metalle, Inhaber J. Kade, Postfach 8032, Zûrich.
TAIWAN (FORMOSA)	Philipp Brothers (Canada) Ltd. 1245 Sherbrooke St. West, Montreal 25, Canada.
UNITED KINGDOM	Brandeis, Goldschmidt & Co. Ltd. 30 Gresham Street, London E.C. 2, England.
UNITED STATES	Falconbridge Nickel Mines Limited 7 King Street East, Toronto 1, Canada.



Advanced Mine Survey Techniques, Underground at Falconbridge



Vacuum Induction Melting Furnace — Metallurgical Laboratories, Thornhill, Ontario



Tank House of the Refinery

TEN-YEAR REVIEW OF FINANCIAL DA

ORE RESERVES — (tons)

OPERATIONS

Metal deliveries (pounds)

Nickel . . . .

Copper . . . .

Metal sales and other operating revenues . . . .

Operating profit from nickel operations before write-offs . . . .

Income from investments . . . .

Development and preproduction expenditures written off . . . .

Depreciation . . . .

Expenditures on exploration, research and process development . . . .

Interest on long term liability . . . .

Income taxes — current . . . .

— deferred (2) . . . .

Earnings . . . .

Amount per share . . . .

DIVIDEND RECORD

Amount paid per share . . . .

CAPITAL EXPENDITURES

(including development and preproduction)

Nickel operations . . . .

Wesfrob Mines Limited — Tasu project . . . .

FINANCIAL POSITION

Working capital . . . .

Investment in subsidiary and other companies at book value . . . .

Plant and properties — net . . . .

Long term debt less amount included under current liabilities . . . . . .

Shareholders' equity . . . .

Amount per share . . . .

Shares outstanding at end of year . . . .

(1) Includes sales of nickel purchased from the United States Government.

(2) The Company adopted deferred tax accounting effective January 1, 1964.

thousands)

1968	1967	1966	1965	1964	1963	1962	1961	1960	1959
56,285	55,708	55,717	55,260	52,236	51,322	48,263	46,247	46,089	46,182
70,712	(1) 74,754	(1) 78,963	72,984	78,485	53,245	61,061	65,546	65,002	58,413
39,787	32,401	32,872	33,813	25,102	28,690	33,831	38,817	36,012	32,728
05,206	(1)$ 94,442	(1)$92,495	$82,840	$80,306	$59,764	$73,760	$76,312	$70,562	$64,147
36,740	30,264	26,930	27,905	27,305	20,293	33,419	34,015	32,143	28,228
10,694	16,842	23,209	17,418	11,055	5,713	5,225	2,122	1,192	732
6,415	2,077	1,665	1,824	898	1,768	2,991	3,504	2,862	4,466
6,836	4,180	3,304	2,701	2,384	2,355	5,918	9,811	9,722	9,538
6,866	8,333	12,521	6,596	4,430	4,613	5,190	3,394	1,872	1,951
1,644	446	33	85	171	276	479	776	1,092	1,342
460	136	637	3,057	6,500	3,300	5,050	2,200	2,250	3,400
6,140	6,650	4,868	5,010	2,550					
23,953	25,792	27,725	26,768	21,965	14,288	19,833	16,968	16,065	8,448
4.88	$ 5.26	$ 5.66	$ 5.47	$ 4.51	$ 2.94	$ 4.11	$ 4.49	$ 4.26	$ 2.25
3.50	$ 3.50	$ 3.50	$ 3.50	$ 2.80	$ 2.50	$ 2.50	$ 1.70	$ 1.50	$ 1.20
40,924	$ 44,226	$27,619	$11,874	$ 6,444	$ 6,794	$ 8,177	$ 9,813	$ 6,861	$ 4,254
82	6,577	22,655	9,953	4,701	612	98			
2,263	$ 1,357	$32,773	$55,416	$58,831	$69,668	$75,380	$45,848	$37,547	$27,959
65,692	63,852	59,713	66,131	65,121	48,516	44,755	3,221	1,943	1,555
21,511	100,876	67,422	31,333	26,686	21,975	20,749	20,414	24,167	29,389
1,264	1,384			1,000	2,000	4,000	6,000	11,000	17,092
15,371	196,361	187,157	172,621	160,894	146,275	142,834	68,304	57,399	46,716
43.91	$ 40.04	$ 38.24	$ 35.29	$ 33.03	$ 30.15	$ 29.61	$ 18.06	$ 15.24	$ 12.44
4,905	4,904	4,895	4,892	4,871	4,852	4,824	3,781	3,767	3,756

FALCONBRIDGE NICKEL MINES LIMITED

Offices

Head Office — 7 King Street East, Toronto 1, Ontario
Main Office, Sudbury Operations — Falconbridge, Ontario
Montreal Office — 1440 St. Catherine St. West, Montreal 25, Quebec
Vancouver Office — 1112 West Pender Street, Vancouver 1, B.C.

Major Wholly-Owned Subsidiaries

Fahralloy Canada Limited, Orillia, Ontario
President and Managing Director — T. G. Beament
Executive Vice-President — J. A. Wilson

Wesfrob Mines Limited, 1112 West Pender Street, Vancouver 1, B.C.
Vice-President — W. J. Tough
Mine Manager — F. A. Godfrey, Tasu, Queen Charlotte Islands, B.C.

Falconbridge Nikkelverk Aktieselskap, Kristiansand S., Norway.
Managing Director — R. Jahnsen

Sudbury Operations

Manager — G. A. Allen
Producing Mines — Falconbridge, East, Strathcona, Hardy, Fecunis Lake, Onaping, North, Longvack South.
Under Development — Lockerby Mine.
Concentrators — Falconbridge, Hardy, Fecunis Lake, Strathcona.
Smelter — Falconbridge.
Pyrrhotite Plant — Falconbridge.
Under Construction — Iron Ore Concentrator, Falconbridge (scheduled for operation late 1969).

Research Laboratories

Falconbridge Metallurgical Laboratories, Thornhill, Ontario; Falconbridge, Ontario; Kristiansand S., Norway.
Lakefield Research of Canada Limited, Lakefield, Ontario (wholly-owned).

Exploration Offices

Toronto and Port Arthur, Ontario; Montreal and Noranda, Quebec; Winnipeg, Manitoba; Vancouver, B.C.; Bathurst, N.B.

Lateritic Nickel Project

Falconbridge Dominicana, C. por A., Santo Domingo, Dominican Republic.
General Manager — Ian H. Keith

Products

Products of Falconbridge Nickel Mines Limited and affiliated companies include:
Nickel, copper, cobalt, gold, silver, platinum, palladium, iridium, rhodium, ruthenium, selenium, lead, iron ore, zinc, cadmium, magnesium, titanium, calcium, nepheline syenite, silica, limestone aggregates, liquid sulphur dioxide, oil, natural gas; carbon and high-alloy steel castings; other products for consumer and industrial use.

Solicitors

Tilley, Carson, Findlay & Wedd, Toronto.

Auditors

Clarkson, Gordon & Co., Toronto.

Transfer Agents and Registrars

Crown Trust Company, Toronto, Montreal, Vancouver and Calgary.
Registrar and Transfer Company, New York and Jersey City, U.S.A.

Strathcona Mine and Treatment Complex in the Sudbury Basin.

FALCONBRIDGE

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